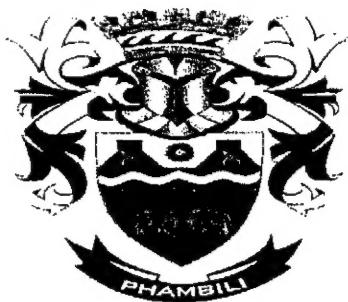


# Financial Statements

## SUNDAYS RIVER VALLEY MUNICIPALITY



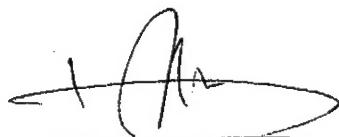
### ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2006

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 31, in terms of Section 12(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



NK SINGANTO  
Municipal Manager

21/08/2006  
Date

# SUNDAYS RIVER VALLEY MUNICIPALITY

## ACCOUNTING POLICIES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

### 3 FUNDS AND RESERVES:

The Municipality creates and maintains Funds and Reserves in terms of specific requirements.

#### 3.1 Capital Replacement Reserve (CRR)

In order to finance the purchase of items of property, plant and equipment amounts are transferred out of the net surplus for a period (when needed) into the Capital Replacement Reserve (CRR). These transfers from the net surplus may only be made if they are backed by cash. The following provisions are set for the creation and utilization of the CRR:

- The cash backing up the CRR is invested, in accordance with the investment policy of the Council, until it is utilized.
- Interest earned on the CRR investment is recorded as interest earned in the Statement of Financial Performance and may be appropriated to the CRR in accordance with council policy.
- The CRR may only be utilized for the purpose of purchasing items or construction of property, plant and equipment for the Council and may not be used for the maintenance of these items. If Council wants to utilize the CRR for expensing something other than PPE an amount equal to the expense must be transferred to net surplus.
- Whenever an asset is purchased out of the CRR an amount equal to the cost price of the asset purchased is transferred from the CRR into a future depreciation reserve (CR) called the Capitalization Reserve. This reserve is equal to the remaining depreciable value (book value) of assets purchased out of the CRR. The CR is used to offset depreciation charged on assets purchased out of the CRR and is released to the statement of financial performance over the useful life of the asset to avoid double taxation of the consumers.
- If a profit is made on the sale of PPE other than land the profit on these assets sold is reflected in the statement of financial performance and is then transferred via revenue.

#### 3.2 CAPITALIZATION RESERVE

This reserve is used to off-set the depreciation of assets that were acquired by the municipality's own revenue (Internal Loans and Advances). It is built up from unappropriated surplus to prevent double taxation to the customers. It is from this reserve that accumulated depreciation will be created. This reserve is only for assets acquired before the implementation of GAMAP.

#### 3.3 GOVERNMENT GRANT RESERVE

Grant income used to acquire PPE is included in revenue. A transfer is made from accumulated surplus to the GGR in that year that the revenue is recognized. The GGR is used to off-set future depreciation attributable to PPE. This is to use that the public receives the benefit of the asset over its useful life.

#### 3.4 DONATION & PUBLIC CONTRIBUTION RESERVE

All donations and public contributions used to acquire items of PPE are included in revenue. A transfer is made from accumulated surplus to the DPCR in that year that the is recognized. The DPCR is used to off-set any future depreciation attributable to that PPE. The purpose is to promote community equity.

### 4 PROVISIONS

A provision is recognized when the Council has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

#### 4.1 Employee Benefits

##### 4.1.1 Retirement Funds

The Council and its employees contribute to various Pension Funds and its councilors may contribute to the various Pension Funds. These funds provide retirement benefits to such employees and councilors.

The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations are performed on a regular basis on defined benefits contribution plans, unless exemption to do so has been obtained from the Registrar of Pension Funds.

Current contributions are charged against the operating account of the Council at a percentage of the basic salary paid to employees, or allowances in the case of councilors.

##### 4.1.2 Medical Aid: Continued Members

The Council provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for 30% of the medical aid membership fee, and the Council for the remaining 70%.

These contributions are charged to the operating account when paid.

##### 4.1.3 Accrued Leave Pay

Liabilities for annual leave are recognized as they accrue to employees. Provision is based on the total accrued leave owing to employees and on their total salary packages. It is estimated at the total leave due at the end of the financial year less a compulsory allocation of 16 days person to be taken.

# SUNDAYS RIVER VALLEY MUNICIPALITY

## ACCOUNTING POLICIES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

### 4.1.4 Provision for bonuses

The Council will make provision for bonuses payable where at year end minimum bonus amounts owing to officials are contractually payable in the next financial year. This will be done for the year ended 30 June 2007 bonuses were paid out of operating expenses.

### 4.2 Other Provisions

#### 4.2.1 Provision for constructive obligations

Provision is made for any constructive obligations of the Municipality. A constructive obligation arises through an established pattern of past practice, published policies or a sufficiently specific current standard, whereby the Municipality has indicated to other parties that it will accept certain responsibilities and as a result, the Municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities. Currently none of these obligations exist.

#### 4.2.2 Provision for onerous contracts

When the municipality has a contract that is onerous, the present obligation ('net of recoveries') under the contract is recognized and measured as a provision. An onerous contract is a contract for the exchange of assets or services in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits or service potential expected to be received under it. Currently none of these obligations exist.

## 5 LEASES

### LESSEE ACCOUNTING

5.1 Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Council.

5.2 Operating leases are those leases which do not fall within the scope of the above definition. Operating lease rentals are recognized on a straight-line basis over the lease term or any other basis which is representative of the time pattern of the lessee's benefit.

5.3 Assets subject to finance lease agreements are capitalized at their cash cost equivalent and the corresponding liabilities are raised. The cost of the assets is depreciated at appropriate rates on the straight line basis over the estimated useful lives of the assets. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

## 6 INVESTMENTS

The Council may have the following types of investments:

- **Held to maturity (HTM) Investments** are financial assets with fixed or determinable payments and fixed maturity where the Council has the positive intent and ability to hold the investment to maturity. Otherwise, investment represents the holding of funds in an account that bears the maximum interest for the preservation of future value. Interest earned is capitalized where required.
- **Loans and receivables originated by the enterprise** are financial assets that are created by providing money, goods or services directly to a loan debtor.

**INITIAL MEASUREMENT** of financial instruments is at cost, which is the fair value of the consideration given. The fair value is usually the transaction price or market price. Transaction costs are included in the initial measurement of financial assets. Transaction costs include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges; and transfer taxes and duties. Transaction costs do not include debt premium or discount, financing costs or allocations of internal administrative or holding costs.

**SUBSEQUENT MEASUREMENT** of financial assets.

HTM Investments and loans and receivables originated by the Council and not held for trading is subsequently recognized at amortized cost using the effective interest rate method. Amortized cost is defined as the amount at which the financial asset was measured at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount, and minus any write-down for impairment or uncollectability.

## 7 FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are initially accounted for at the rate of exchange ruling on the date of the transaction. Trade creditors denominated in foreign currency are reported at statement of financial position date by using the exchange rate at that date. Exchange differences arising on the settlement of creditors or on reporting of creditors at rates different from those at which they were initially recorded during the period are recognized as revenue or as expenses in the period in which they arise. Where the transaction is covered by a forward exchange contract, the rate specified in the contract is used. Currently no such transactions exist.

## 8 REVENUErecognition

8.1 Revenue is derived from a variety of sources which include Rates and Taxes, Service fees, grants from other tiers of government and revenue from other services provided. Revenue is recognized when it is probable that future economic benefits or service potential will flow to the Council and these benefits can be measured reliably.

8.2 Revenue is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Interest on unpaid services is recognized on a time proportionate basis.

# SUNDAYS RIVER VALLEY MUNICIPALITY

## ACCOUNTING POLICIES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

8.3 Income for agency services is recognized on receipt the associated subsidy or grant. The income recognized is in terms of the agency agreement.

8.4 Interest earned on investments is recognized in the statement of financial performance on a time proportionate basis that takes into account the effective yield on the investment. Interest may be transferred from the unappropriated surplus to the CRR. Interest earned on unutilized conditional grants is allocated directly to the creditor.

8.5 Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

8.6 Interest on outstanding debtors is recognized on a time proportionate basis and is charged on all outstanding debtors older than 30 days. The basis being prime +1.

8.7 When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction should be recognized by reference to the stage of completion of the transaction at the statement of financial position date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The stage of completion of the transaction at the statement of financial position date can be measured reliably.
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

8.8 Government Grants are recognized as revenue when all conditions associated with the grant have been met. Where grants have been received but the Council has not met the condition, a liability is raised. The excludes funds received as Equitable Share.

8.9 Revenue from "agency service" is for services render to by the municipality.

8.10 Service charges have two classes, namely consumption and availability where the former represents the reading of meters on a monthly basis and is recognized as revenue when invoiced. Provisional estimates are made when actual readings are not available. Adjustment between actual and estimated readings are recognized as revenue.

8.11 The income and expenditure associated with the grants received for the construction of low cost housing was recognised to the extent to which construction has taken place.

### 9 VALUE ADDED TAX

The Council accounts for Value Added Tax on the Cash basis.

The VAT component of outstanding debtors are indicated as trade creditors, however this amount is not factual owed to the Commissioner of Inland Revenue.

### 10 SEGMENTAL INFORMATION

The principal segments have been identified on a primary basis by service operation and on a secondary basis by the classification of revenue and expenditure. The primary basis is representative of the internal structure for both budgeting and management purposes. The secondary basis classifies all operations based on the classification of revenue and expenditure.

### 11 GRANTS-IN-AID

The Council transfers money to individuals, organizations and other sectors of government from time to time. When making these transfers, the Council does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognized in the financial statements as expenses in the period that the events giving rise to the transfer occurred. If these contracts are onerous and extend over more than one financial year after year end they are treated in accordance with the accounting policy on onerous contracts outlined under 4.1.6 above. Current no such transactions exist.

### 12 UNUTILIZED CONDITIONAL GRANTS

Unutilized conditional grants are reflected on the Statement of financial position as a creditor – unutilized conditional grants. They represent unspent government grants, subsidies and contributions from the public. These creditors always have to be cash backed. The following provisions are set for the creation and utilization of these creditors:

- The cash which backs up the creditor is invested until it is utilized.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Council's interest it is recognized as interest earned in the statement of financial performance,

## SUNDAYS RIVER VALLEY MUNICIPALITY

### ACCOUNTING POLICIES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

Whenever an asset is purchased and funded from the unutilized conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unutilized Capital Receipts into the statement of financial performance as revenue. Thereafter an equal amount is transferred on the statement of changes in net assets to a reserve called a Government Grant Reserve (GGR). This reserve is equal to the remaining depreciable value (book value) of assets purchased out of the Unutilized Capital Receipts. The GGR is used to offset depreciation charged on assets purchased out of the Unutilized Capital Receipts to avoid double taxation of the consumers.

#### 13 INTANGIBLE ASSETS

Intangible assets are treated in accordance with the provisions of IAS 38. In accordance with these provisions intangible assets are initially recorded at their cost price for use in the production or supply of goods or services, for rental to others, or for administrative purposes. The intangible assets under the control of the Council are amortized according to the straight line method as follows:

#### 14 ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

#### 15 PROVISION FOR BAD DEBT

This amount is to be equal to all debt outstanding in excess of 180 days. Currently the provision that exist is the amount that could be created from unappropriated surplus. Provision for the current year will be expended from that year's budget.

#### 16 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short - term, liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

#### 17 CONSUMER DEPOSITS

These are held on behalf of water and electricity patrons until the services is no longer consumed by that patron. This deposit is refunded as a credit to the account or paid back directly.

#### 18 INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realizable value.

#### 19 TRADE CREDITORS

Trade creditors are stated at their nominal value.

**SUNDAYS RIVER VALLEY MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 June 2006**

|  | Note | 2006<br>R          | 2005<br>R          |
|--|------|--------------------|--------------------|
| <b>NET ASSETS AND LIABILITIES</b>          |      |                    |                    |
| <b>Net assets</b>                          |      | <b>95,923,028</b>  | <b>107,511,010</b> |
| Capital replacement reserve                |      | 224,385            | 219,884            |
| Capitalisation reserve                     |      | 5,574,486          | 16,877,284         |
| Government grant reserve                   |      | 14,183,285         | 11,936,323         |
| Donations and public contribution reserves |      | 36,134             | 0                  |
| Accumulated Surplus/(Deficit)              |      | 75,904,738         | 78,477,519         |
| <b>Non-current liabilities</b>             |      | <b>928,548</b>     | <b>1,104,637</b>   |
| Long-term liabilities                      | 1    | 394,491            | 33,684             |
| Non-current provisions                     | 2    | 898,057            | 1,070,953          |
| <b>Current liabilities</b>                 |      | <b>7,705,237</b>   | <b>10,789,663</b>  |
| Consumer deposits                          | 3    | 187,312            | 168,341            |
| Provisions                                 | 4    | 0                  | 0                  |
| Creditors                                  | 5    | 4,352,571          | 3,262,552          |
| Unspent conditional grants and receipts    | 6    | 1,653,065          | 4,769,025          |
| VAT  | 7    | 0                  | 0                  |
| Bank overdraft                             | 15   | 1,507,093          | 2,575,642          |
| Current portion of long-term liabilities   | 1    | 3,196              | 14,103             |
| <b>Total Net Assets and Liabilities</b>    |      | <b>104,556,813</b> | <b>119,405,310</b> |
| <b>ASSETS</b>                              |      |                    |                    |
| <b>Non-current assets</b>                  |      | <b>97,090,519</b>  | <b>108,168,773</b> |
| Property, plant and equipment              | 8    | 94,359,447         | 102,264,440        |
| Investments                                | 9    | 2,463,485          | 5,590,624          |
| Long-term receivables                      | 10   | 26,607             | 313,709            |
| <b>Current assets</b>                      |      | <b>7,466,294</b>   | <b>11,236,537</b>  |
| Inventory                                  | 11   | 0                  | 9,265              |
| Consumer debtors                           | 12   | 6,367,352          | 10,086,250         |
| Other debtors                              | 13   | 560,888            | 388,801            |
| VAT  | 7    | 424,842            | 428,748            |
| Current portion of long-term debtors       | 10   | 41,862             | 117,558            |
| Call investment deposits                   | 14   | 0                  | 0                  |
| Bank balances and cash                     | 15.0 | 71,350             | 205,915            |
| <b>Total Assets</b>                        |      | <b>104,556,813</b> | <b>119,405,310</b> |
|  |      | 0                  | 0                  |

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 June 2006**

| Budget            |                   |   | Note | Actual            |                   |
|-------------------|-------------------|---|------|-------------------|-------------------|
| 2005<br>R         | 2006<br>R         |   |      | 2006<br>R         | 2005<br>R         |
| REVENUE           |                   |   |      |                   |                   |
| 3,826,600         | 4,613,903         | Property rates  | 16   | 3,573,631         | 3,257,710         |
|                   | 7,120             | Property rates - penalties imposed and collection charges |      | 9,918             |                   |
| 14,308,400        | 10,769,549        | Service charges   | 17   | 12,471,400        | 18,082,999        |
| 0                 | 0                 | Regional Services Levies - turnover                       |      | 0                 |                   |
| 0                 | 0                 | Regional Services Levies - remuneration                   |      | 0                 |                   |
| 31,000            | 63,940            | Rental of facilities and equipment                        |      | 47,464            |                   |
|                   | 41,000            | Interest earned - external investments                    |      | 206,188           | 172,731           |
|                   | 124,030           | Interest earned - outstanding debtors                     |      | 1,913,905         |                   |
|                   | 0                 | Dividends received  |      | 0                 |                   |
|                   | 7,111,000         | Fines   |      | 821,121           |                   |
|                   | 748,300           | Licences and permits                                      |      | 3,076,982         |                   |
|                   | 0                 | Income for agency services                                |      | 0                 |                   |
| 13,305,000        | 12,643,050        | Grants & subsidies received - Operating                   | 18   | 26,854,329        | 12,574,151        |
|                   | 6,824,000         | Grants & subsidies received - Capital                     | 18   | 11,006,327        |                   |
|                   | 1,944,533         | Other income  | 19   | 1,193,694         |                   |
|                   |                   | Public contributions, donated and contributed property,   |      |                   |                   |
|                   |                   | 0 plant and equipment                                     |      | 0                 |                   |
|                   |                   | 0 Gains on disposal of property, plant and equipment      |      | 0                 |                   |
| <b>31,471,000</b> | <b>38,490,425</b> | <b>Total Revenue</b>                                      |      | <b>61,174,959</b> | <b>34,087,591</b> |
| EXPENDITURE       |                   |   |      |                   |                   |
| 13,616,408        | 13,641,026        | Employee related costs                                    | 20   | 13,806,988        | 14,370,664        |
|                   | 1,076,948         | Remuneration of Councillors                               | 21   | 986,020           |                   |
|                   | 0                 | Bad debts   |      | 0                 |                   |
|                   | 0                 | Collection costs  |      | 0                 |                   |
|                   | 0                 | Depreciation  |      | 1,380             |                   |
| 2,664,290         | 2,949,758         | Repairs and maintenance                                   |      | 1,564,539         | 2,822,969         |
|                   | 12,320            | Interest paid   | 22   | 17,676            |                   |
| 2,818,000         | 3,029,890         | Bulk purchases  | 23   | 2,910,193         | 2,933,388         |
|                   | 371,400           | Contracted services                                       |      | 254,314           |                   |
| 9,000             | 5,245,575         | Grants and subsidies paid                                 | 24   | 4,635,627         | 5,529,157         |
| 11,034,166        | 8,308,174         | General expenses  | 25   | 27,035,312        | 8,321,684         |
| 1,329,136         | 1,295,668         | Contributions To/From Provisions                          |      | 371               | 1,444,520         |
|                   | 18,626            | Interest on internal borrowings                           |      | 0                 |                   |
|                   | 0                 | Loss on disposal of property, plant and equipment         |      | 0                 |                   |
| <b>31,471,000</b> | <b>35,949,385</b> | <b>Total Expenditure</b>                                  |      | <b>51,221,678</b> | <b>35,422,382</b> |
| <b>0</b>          | <b>2,541,040</b>  | <b>SURPLUS/(DEFICIT) FOR THE YEAR</b>                     |      | <b>9,953,281</b>  | <b>-1,334,791</b> |
| 0                 |                   | Share of surplus/(deficit) of associate accounted for     |      |                   |                   |
| 0                 | 0                 | under the equity method                                   |      | 0                 | 0                 |
| <b>0</b>          | <b>2,541,040</b>  | <b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>                 |      | <b>9,953,281</b>  | <b>-1,334,791</b> |

Refer to Appendix E(1) for explanation of variances

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2005

|                                     | Pre-GAMAP<br>Old              | Capital                     | Capitalisation | Government   | Donations and                           | Accumulated                 | Total       |
|-------------------------------------|-------------------------------|-----------------------------|----------------|--------------|---|-----------------------------|-------------|
|                                     | Reserves<br>and<br>Funds<br>R | Replacement<br>Reserve<br>R | Reserve<br>R   | Reserve<br>R | Public<br>Contributions<br>Reserve<br>R | Surplus /<br>(Deficit)<br>R |             |
| <b>2005</b>                         |                               |                             |                |              |   |                             |             |
| Balance at 1 July                   | 39,108,750                    | 219,884                     |                | 0            | 0                                       | 59,983,740                  | 99,312,374  |
| Implementation of GAMAP (Note 26)   | -39,108,750                   |                             | 16,877,284     | 11,936,323   | 0                                       | 48,676,286                  | 38,381,143  |
| Restated balance                    | 0                             | 219,884                     | 16,877,284     | 11,936,323   | 0                                       | 108,660,026                 | 137,693,517 |
| Net surplus/(deficit) for the year  |                               |                             |                |              |   | -1,334,794                  | -1,334,794  |
| Adjustments                         |                               |                             |                |              |   | -34,106                     | -34,106     |
| Interest received                   |                               |                             |                |              |   |                             | 0           |
| Transfer to CRR                     |                               |                             |                |              |   |                             | 0           |
| Capital grants used to purchase PPE |                               |                             |                |              |   |                             | 0           |
| Donated/contributed PPE             |                               |                             |                |              |   |                             | 0           |
| Offsetting of depreciation          |                               |                             |                |              |   | 0                           | 0           |
| Balance at 30 June 2005             | 0                             | 219,884                     | 16,877,284     | 11,936,323   | 0                                       | 107,291,126                 | 136,324,617 |
| <b>2006</b>                         |                               |                             |                |              |   |                             |             |
| Correction of error (Note 27)       | 0                             | 0                           | 0              | 0            | 0                                       | 0                           | 0           |
| Restated balance                    | 0                             | 219,884                     | 16,877,284     | 11,936,323   | 0                                       | 107,291,126                 | 136,324,617 |
| Net surplus/(deficit) for the year  |                               |                             |                |              |   | 9,953,281                   | 9,953,281   |
| Adjustments                         |                               |                             |                |              |   | 50,354,870                  | 50,354,870  |
| Transfer to CRR                     |                               |                             |                |              |   | 0                           | 0           |
| Interest received                   |                               | 4,501                       |                |              |   | -4,501                      | 0           |
| Capital grants used to purchase PPE |                               |                             | 7,705,550      |              |   | -7,705,550                  | 0           |
| Donated/contributed PPE             |                               |                             |                | 47,519       |   | -47,519                     | 0           |
| Asset disposals                     |                               |                             |                |              |   | 0                           | 0           |
| Offsetting of depreciation          |                               | 0                           | -11,302,798    | -5,458,588   | -11,385                                 | 16,772,771                  | 0           |
| Balance at 30 June 2006             | 0                             | 224,385                     | 5,574,486      | 14,183,285   | 36,134                                  | 75,904,738                  | 95,923,028  |

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 June 2006

|  | Note | 2006              | 2005        |
|--|------|-------------------|-------------|
|  |      | R                 | R           |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>             |      |                   |             |
| Cash receipts from ratepayers, government and other    |      | 51,268,784        | 33,914,860  |
| Cash paid to suppliers and employees                   |      | -46,723,325       | -36,574,210 |
| Cash generated from/(utilised in) operations           | 27   | 4,545,459         | -2,659,350  |
| Interest received                                      |      | 206,188           | 172,731     |
| Interest paid  |      | -17,676           | -17,655     |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>              |      | <b>4,733,971</b>  | -2,504,274  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>            |      |                   |             |
| Purchase of property, plant and equipment              |      | -8,921,783        | -911,243    |
| Proceeds on disposal of fixed assets                   |      | 0                 |             |
| (Increase)/decrease in non-current receivables         |      | 121,798           | 210,124     |
| Decrease/(Increase) in non-current investments         |      | 3,127,159         | 2,952,008   |
| <b>NET CASH FROM INVESTING ACTIVITIES</b>              |      | <b>-5,672,826</b> | 2,250,889   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>            |      |                   |             |
| New loans raised/(repaid)                              |      | -14,100           | -145,615    |
| Increase in consumer deposits                          |      | 18,971            | 9,405       |
| <b>NET CASH FROM FINANCING ACTIVITIES</b>              |      | <b>4,871</b>      | -136,210    |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>       |      | <b>-933,984</b>   | -389,595    |
| Cash and cash equivalents at the beginning of the year |      | -2,369,727        | -2,759,322  |
| Cash and cash equivalents at the end of the year       | 28   | -1,435,743        | -2,369,727  |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2006

|   | 2006<br>R     | 2005<br>R     |
|---|---------------|---------------|
| <b>1 LONG-TERM LIABILITIES</b>                            |               |               |
| Local Registered Stock Loans                              |               |               |
| Annuity Loans   | 33,687        | 47,787        |
| Capitalised Lease Liability                               | 0             | 0             |
| Government Loans : Other                                  | 0             | 0             |
| <b>Sub-total</b>  | <u>33,687</u> | <u>47,787</u> |
| Less : Current portion transferred to current liabilities |               |               |
| Local Registered Stock Loans                              |               |               |
| Annuity Loans   | -3,196        | -14,103       |
| Capitalised Lease Liability                               | -3,196        | -14,103       |
| Government Loans : Other                                  |               |               |
| <b>Total External Loans</b>                               | <u>30,491</u> | <u>33,684</u> |

Refer to Appendix A for more detail on long-term liabilities.

**2 NON-CURRENT PROVISIONS**

|                                     |                |                  |
|-------------------------------------|----------------|------------------|
| Provision for leave                 | 898,057        | 1,061,511        |
| Water Reserve                       | 0              | 9,442            |
| <b>Total Non-Current Provisions</b> | <u>898,057</u> | <u>1,070,953</u> |

The movement in the non-current provisions are reconciled as follows: -

Water reserve      Leave

**30 June 2006**

|                                |          |                |
|--------------------------------|----------|----------------|
| Balance at beginning of year   | 9,441    | 1,061,511      |
| Contributions to provision     | -9,160   | 116,449        |
| Expenditure incurred           | -388     | -279,903       |
| Interest received              | 106      | 0              |
| Transfer to current provisions | 0        | 0              |
| <b>Balance at end of year</b>  | <u>0</u> | <u>898,057</u> |

**30 June 2005**

|                                |              |                  |
|--------------------------------|--------------|------------------|
| Balance at beginning of year   | 56,061       | 878,676          |
| Contributions to provision     | 195,441      | 251,405          |
| Expenditure incurred           | -249,513     | -68,570          |
| Interest received              | 7,452        |                  |
| Transfer to current provisions | 0            |                  |
| <b>Balance at end of year</b>  | <u>9,441</u> | <u>1,061,511</u> |

**3 CONSUMER DEPOSITS**

|                                |                |                |
|--------------------------------|----------------|----------------|
| Electricity                    | 131,847        | 118,691        |
| Water                          | 55,465         | 49,650         |
| <b>Total Consumer Deposits</b> | <u>187,312</u> | <u>168,341</u> |

|   |   |   |
|---|---|---|
| Guarantees held in lieu of Electricity and Water Deposits | 0 | 0 |
|---|---|---|

**4 PROVISIONS**

|  |          |          |
|--|----------|----------|
| Current portion of long-service provision (see note 2 above) | 0        | 0        |
| <b>Total Provisions</b>                                      | <u>0</u> | <u>0</u> |

The movement in current provisions are reconciled as follows: -

30 June 2006

|                              |          |          |
|------------------------------|----------|----------|
| Balance at beginning of year | 0        | 0        |
| Transfer from non-current    | 0        | 0        |
| Contributions to provision   | 0        | 0        |
| Expenditure incurred         | 0        | 0        |
| Balance at end of year       | <u>0</u> | <u>0</u> |

30 June 2005

|                              |          |          |
|------------------------------|----------|----------|
| Balance at beginning of year | 0        | 0        |
| Transfer from non-current    | 0        | 0        |
| Contributions to provision   | 0        | 0        |
| Expenditure incurred         | 0        | 0        |
| Balance at end of year       | <u>0</u> | <u>0</u> |

## 5 CREDITORS

|                              |                  |                  |
|------------------------------|------------------|------------------|
| Trade creditors              | 2,447,158        | 1,938,310        |
| Payments received in advance | 0                | 0                |
| Securities                   | 600,000          | 0                |
| Staff leave                  | 0                | 0                |
| Other creditors              | 1,305,413        | 1,324,242        |
| <b>Total Creditors</b>       | <b>4,352,571</b> | <b>3,262,552</b> |

## 6 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

### 6.1 Conditional Grants from other spheres of Government

|   |           |           |
|---|-----------|-----------|
| MIG Grants                                | 1,655,065 | 4,896,189 |
| Provincial LED Projects                   | 452,765   | 2,321,104 |
| IDP                                       | 0         | 0         |
| Rezoning                                  | 16,510    | 11,694    |
| Planning Moses Mabida                     | 27,504    | 26,040    |
| General Valuation                         | 13,097    | 12,398    |
| Spatial Dev. Plan                         | 0         | 110,586   |
| Paterson Micro Enterprises                | 40,623    | 83,075    |
| Human Res. Dev.                           | 276,815   | 160,309   |
| MSP                                       | 60,138    | 60,138    |
| Enon Citrus Farm                          | 17,823    | 146,046   |
| Kirkwood Cemetery                         | 114,704   | 9,887     |
| Rect Encroachment - Paterson              | 63,029    | 59,664    |
| Rect Encroachment - Moses Mabida          | 44,143    | 41,777    |
| Rect Encroachment - Nomathamsanqa         | 1,057     | 11,175    |
| Finance Management                        | 1,697     | 16,610    |
| Survey Moses Mabida 40 Erven              | 14,024    | 163,195   |
| Capacity Building for Ward Committee      | 13,545    | 16,217    |
| Revision & Integration of Zoning Scheme   | 14,261    | 150,000   |
| Paterson Labour                           | 178,474   | 0         |
| Paterson Bucket Eradication Phase 2       | 49,049    | 0         |
| Drought Relief                            | 277,356   | 0         |
| Performance Management Systems            | 3,190     | 0         |
| Addo / Noma 91 Sites Housing Project      | 50,499    | 0         |
| NM Paterson Accident                      | 2,629     | 0         |
| Emsengeni 282 Establishment Grant         | 14,283    | 0         |
| Emsengeni / Aquapark Housing              | 0         | -225      |
| Paterson Housing                          | 0         | 1,075     |
| Paterson Housing Establishment Grant      | 12,699    | -470,944  |
| Paterson Bucket Eradication               | -139,756  | 0         |
| Aqua Park Waterborne Sewerage Transfer    | 2,243     | 1,588,743 |
| Moses Mabida Waterborne Sewerage Transfer | 1,006     | 0         |
| Free Basic Electricity                    | 58,794    | 0         |
| Kirkwood Upgrade Water Treatment          | -28,142   | 177,625   |
|   | 1,006     | 0         |

### 6.2 Other Conditional Receipts

|                   |   |        |
|-------------------|---|--------|
| CMIP              | 0 | 72,836 |
| Riva Art Festival | 0 | 71,815 |

|  |                  |                  |
|--|------------------|------------------|
| <b>Total Conditional Grants and Receipts</b> | <b>1,655,065</b> | <b>4,789,025</b> |
|--|------------------|------------------|

See Note 21 for reconciliation of grants from other spheres of government.

These amounts are invested in a ring-fenced investment until utilized.

## 7 VAT

|                |         |         |
|----------------|---------|---------|
| VAT receivable | 424,842 | 428,748 |
|----------------|---------|---------|

VAT is payable on the receipts basis.

Only once payment is received from debtors is VAT paid over to SARS.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2006**

**8 PROPERTY, PLANT AND EQUIPMENT**

| Reconciliation of Carrying Value | Land      | Buildings  | Infra-structure | Community | Heritage | Other      | Total       |
|----------------------------------|-----------|------------|-----------------|-----------|----------|------------|-------------|
|                                  | R         | R          | R               | R         | R        | R          | R           |
| Carrying values at 1 July 2005   | 3,739,189 | 46,382,838 | 34,788,387      | 0         | 0        | 538,632    | 85,449,046  |
| Cost                             | 3,739,189 | 56,275,676 | 34,825,615      | 0         | 0        | 7,423,960  | 102,264,440 |
| Correction of error ( note 27)   | 0         | 0          | 0               | 0         | 0        | 0          | 0           |
| Accumulated depreciation         | 0         | -9,892,838 | -37,228         | 0         | 0        | -6,885,328 | -16,815,394 |
| Acquisitions                     | 0         | 62,481     | 13,843          | 0         | 0        | 594,241    | 670,565     |
| Capital under Construction       | 0         | 0          | 8,251,218       | 0         | 0        | 0          | 8,251,218   |
| Depreciation                     | 0         | 0          | 0               | 0         | 0        | -11,380    | -11,380     |
| Carrying value of disposals      | 0         | 0          | 0               | 0         | 0        | 0          | 0           |
| Cost                             | 0         | 0          | 0               | 0         | 0        | 0          | 0           |
| Accumulated depreciation         | 0         | 0          | 0               | 0         | 0        | 0          | 0           |
| Impairment losses                | 0         | 0          | 0               | 0         | 0        | 0          | 0           |
| Other movement                   | 0         | 0          | 0               | 0         | 0        | 0          | 0           |
| Carrying values at 30 June 2006  | 3,739,189 | 46,445,319 | 43,053,448      | 0         | 0        | 1,121,491  | 94,359,447  |
| Cost                             | 3,739,189 | 56,338,157 | 43,090,676      | 0         | 0        | 8,018,199  | 111,186,221 |
| Accumulated depreciation         | 0         | -9,892,838 | -37,228         | 0         | 0        | -6,896,708 | -16,826,774 |

**30 June 2005**

| Reconciliation of Carrying Value | Land      | Buildings  | Infra-structure | Community | Heritage | Other     | Total       |
|----------------------------------|-----------|------------|-----------------|-----------|----------|-----------|-------------|
|                                  | R         | R          | R               | R         | R        | R         | R           |
| Carrying values at 1 July 2004   | 3,739,189 | 56,275,676 | 34,825,615      | 0         | 0        | 7,071,767 | 101,912,247 |
| Cost                             | 3,739,189 | 56,275,676 | 34,825,615      | 0         | 0        | 7,071,767 | 101,912,247 |
| Correction of error ( note 27)   | 0         | 0          | 0               | 0         | 0        | 0         | 0           |
| Accumulated depreciation         | 0         | 0          | 0               | 0         | 0        | 0         | 0           |
| Acquisitions                     | 0         | 0          | 0               | 0         | 0        | 911,243   | 911,243     |
| Capital under Construction       | 0         | 0          | 0               | 0         | 0        | 0         | 0           |
| Depreciation                     | 0         | 0          | 0               | 0         | 0        | 0         | 0           |
| Carrying value of disposals      | 0         | 0          | 0               | 0         | 0        | 0         | 0           |
| Cost                             | 0         | 0          | 0               | 0         | 0        | 0         | 0           |
| Accumulated depreciation         | 0         | 0          | 0               | 0         | 0        | 0         | 0           |
| Impairment losses                | 0         | 0          | 0               | 0         | 0        | 0         | 0           |
| Other movement                   | 0         | 0          | 0               | 0         | 0        | -559,050  | -559,050    |
| Carrying values at 30 June 2005  | 3,739,189 | 56,275,676 | 34,825,615      | 0         | 0        | 7,423,960 | 102,264,440 |
| Cost                             | 3,739,189 | 56,275,676 | 34,825,615      | 0         | 0        | 7,423,960 | 102,264,440 |
| Accumulated depreciation         | 0         | 0          | 0               | 0         | 0        | 0         | 0           |

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2006

|   | 2006<br>R         | 2005<br>R          |
|---|-------------------|--------------------|
| <b>9 INVESTMENTS</b>                                      |                   |                    |
| Listed  |                   |                    |
| Total Listed  | 0                 | 0                  |
| Unlisted  |                   |                    |
| Total Unlisted  | 0                 | 0                  |
| Financial Instruments                                     |                   |                    |
| Fixed Deposits  | 2,463,465         | 5,590,624          |
| <b>Total Cash Investments</b>                             | <u>2,463,465</u>  | <u>5,590,624</u>   |
| <b>Total Investments</b>                                  | <u>2,463,465</u>  | <u>5,590,624</u>   |
| <b>10 LONG-TERM RECEIVABLES</b>                           |                   |                    |
| Car loans   | 62,100            | 175,700            |
| ACVV  | 73,583            | 76,058             |
| Bergsig Selfhelp Scheme                                   | 59,421            | 62,602             |
| Bergsig Electricity Loans                                 | 54,341            | 56,883             |
| Paterson Houses   | 60,024            | 60,024             |
|   | 309,469           | 431,267            |
| Less : Current portion transferred to current receivables | -41,862           | -117,558           |
| Car loans   | -32,400           | -109,139           |
| ACVV  | -2,475            | -2,415             |
| Bergsig Selfhelp Scheme                                   | -3,884            | -3,337             |
| Bergsig Electricity Loans                                 | -3,103            | -2,667             |
| <b>Total</b>  | <u>267,607</u>    | <u>313,709</u>     |
| <b>11 INVENTORY</b>                                       |                   |                    |
| Consumable stores - at cost                               | 0                 | 9,265              |
| Maintenance materials - at cost                           | 0                 | 0                  |
| Spare parts - at realisable value                         | 0                 | 0                  |
| Water - at cost   | 0                 | 0                  |
| Other goods held for resale - at cost                     | 0                 | 0                  |
| Unsold properties held for resale - at realisable value   | 0                 | 0                  |
| <b>Total Inventory</b>                                    | <u>0</u>          | <u>9,265</u>       |
| <b>12 CONSUMER DEBTORS</b>                                |                   |                    |
| As at 30 June 2006  |                   |                    |
| Service debtors   |                   |                    |
| Rates   | 4,160,910         | -3,281,426         |
| Electricity   | 1,700,448         | -1,458,590         |
| Water   | 15,618,368        | -11,949,209        |
| Refuse  | 2,854,607         | -2,099,322         |
| Sewerage  | 1,544,566         | -1,204,908         |
| Housing   | 1,613,001         | -1,157,044         |
| Sundry  | 25,951            | 25,951             |
| <b>Total</b>  | <u>27,517,851</u> | <u>-21,150,499</u> |
|   | 6,367,352         |                    |
| As at 30 June 2005  |                   |                    |
| Service debtors   |                   |                    |
| Rates   | 3,310,608         | -1,737,021         |
| Electricity   | 1,593,634         | -831,346           |
| Water   | 11,862,102        | -6,188,067         |
| Refuse  | 2,005,769         | -1,046,344         |
| Sewerage  | 1,217,567         | -635,164           |
| Housing   | 1,077,426         | -562,057           |
| Sundry  | 19,143            | 19,143             |
| <b>Total</b>  | <u>21,086,249</u> | <u>-10,999,999</u> |
|   | 10,086,250        |                    |

|   | 2006              | 2005     |
|---|-------------------|----------|
| Rates: Ageing                                     |                   |          |
| Current   | -69,401           |          |
| 30 Days   | 181,092           |          |
| 60 Days   | 123,829           |          |
| 90 Days   | 118,520           |          |
| 120 Days  | 113,448           |          |
| 150 Days  | 3,693,422         |          |
| 180+ Days   |                   |          |
| Total   | <u>4,160,910</u>  | <u>0</u> |
| (Electricity, Water, Refuse and Sewerage): Ageing |                   |          |
| Current   | -261,007          |          |
| 30 Days   | 947,078           |          |
| 60 Days   | 578,327           |          |
| 90 Days   | 608,018           |          |
| 120 Days  | 561,852           |          |
| 150 Days  | 19,889,224        |          |
| Total   | <u>22,323,492</u> | <u>0</u> |
| Housing: Ageing                                   |                   |          |
| Current   | -2,200            |          |
| 30 Days   | 563,817           |          |
| 60 Days   | 2,874             |          |
| 90 Days   | 2,761             |          |
| 120 Days  | 2,701             |          |
| 150 Days  | 463,496           |          |
| Total   | <u>1,033,449</u>  | <u>0</u> |

### 13 OTHER DEBTORS

|  |                |                |
|--|----------------|----------------|
| Payments made in advance                         |                |                |
| Unauthorized expenditure (see Note 35)           |                |                |
| Fruitless and wasteful expenditure (see Note 35) |                |                |
| Control accounts - Debtors                       | 453            | 243            |
| Clearance accounts - Debtors                     | 560,435        | 388,558        |
| Total Other Debtors                              | <u>560,888</u> | <u>388,801</u> |

### 14 CALL INVESTMENT DEPOSITS

|                |   |   |
|----------------|---|---|
| Other Deposits | 0 | 0 |
|----------------|---|---|

### 15 BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts: -

#### Current Account (Primary Bank Account)

|   |                   |                   |
|---|-------------------|-------------------|
| First Nasional Bank - Kirkwood Branch       |                   |                   |
| Account Number 62025490856                  |                   |                   |
| Cash book balance at beginning of year      | -2,575,642        | -2,888,663        |
| Cash book balance at end of year            | <u>-1,507,093</u> | <u>-2,575,642</u> |
| Bank statement balance at beginning of year | 733,726           | 36,696            |
| Bank statement balance at end of year       | <u>71,738</u>     | <u>733,726</u>    |

#### Current Account (Motor Registration)

|   |                |                |
|---|----------------|----------------|
| First Nasional Bank - Kirkwood Branch       |                |                |
| Account Number 62027651935                  |                |                |
| Cash book balance at beginning of year      | 192,437        | 129,301        |
| Cash book balance at end of year            | <u>41,265</u>  | <u>192,437</u> |
| Bank statement balance at beginning of year | 192,906        | 41,265         |
| Bank statement balance at end of year       | <u>192,906</u> | <u>41,265</u>  |

#### Current Account (Traffic Fines)

First Nasional Bank - Kirkwood Branch  
Account Number 62070775310

|  |               |               |
|--|---------------|---------------|
| Cash book balance at beginning of year | 11,900        | 0             |
| Cash book balance at end of year       | <u>11,631</u> | <u>11,900</u> |

|   |               |               |
|---|---------------|---------------|
| Bank statement balance at beginning of year | 11,900        | 0             |
| Bank statement balance at end of year       | <u>11,631</u> | <u>11,900</u> |

Current Account (Easy Pay)

First Nasional Bank - Kirkwood Branch  
Account Number 62098449385

|  |               |          |
|--|---------------|----------|
| Cash book balance at beginning of year | 0             | 0        |
| Cash book balance at end of year       | <u>16,556</u> | <u>0</u> |

|   |              |          |
|---|--------------|----------|
| Bank statement balance at beginning of year | 0            | 0        |
| Bank statement balance at end of year       | <u>3,316</u> | <u>0</u> |

Call Account

First Nasional Bank - Kirkwood Branch  
Account Number

|  |              |              |
|--|--------------|--------------|
| Cash book balance at beginning of year | 1,538        | 1,091,408    |
| Cash book balance at end of year       | <u>1,858</u> | <u>1,538</u> |

|   |              |              |
|---|--------------|--------------|
| Bank statement balance at beginning of year | 1,538        | 1,091,408    |
| Bank statement balance at end of year       | <u>1,858</u> | <u>1,538</u> |

Petty Cash

|  |           |           |
|--|-----------|-----------|
| Cash book balance at beginning of year | 40        | 40        |
| Cash book balance at end of year       | <u>40</u> | <u>40</u> |

16 PROPERTY RATES

|                        |                  |                  |
|------------------------|------------------|------------------|
| Actual                 | 3,573,631        | 3,257,710        |
| Residential            |                  |                  |
| Commercial             |                  |                  |
| State                  |                  |                  |
| Total Assessment Rates | <u>3,573,631</u> | <u>3,257,710</u> |

|                           |                     |                     |
|---------------------------|---------------------|---------------------|
| Valuations                | July 2006<br>R000's | July 2005<br>R000's |
| Residential               | 81,008,380          |                     |
| Commercial                | 41,304,620          |                     |
| Churches                  | 17,566,815          |                     |
| State                     | 20,712,630          |                     |
| Municipal                 | 23,633,940          |                     |
| Total Property Valuations | <u>184,226,385</u>  | <u>83,187,061</u>   |

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2004.  
Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.  
A general rate of R0.016 (2005: R0.016) is applied to property valuations to determine assessment rates.  
Rebates of 20% are granted to state property owners.  
Rates are levied on an annual basis with the final date of payment being 30 September 2005.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2006

|  | 2006<br>R         | 2005<br>R         |
|--|-------------------|-------------------|
| <b>17 SERVICE CHARGES</b>  |                   |                   |
| Sale of electricity  | 3,109,347         | 4,295,346         |
| Sale of water  | 5,654,034         | 6,870,424         |
| Refuse removal   | 2,555,965         | 1,773,336         |
| Sewerage and sanitation charges  | 1,027,767         | 1,031,879         |
| Service Charges Housing  | 126,590           | 112,323           |
| Service Charges Other Debtors  | -2,303            | 3,999,691         |
| Total Service Charges  | <u>12,471,400</u> | <u>18,082,999</u> |
| <b>18 GOVERNMENT GRANTS AND SUBSIDIES</b>  |                   |                   |
| Equitable share  | 9,513,717         | 11,742,275        |
| Provincial LED Projects  | 0                 | 0                 |
| Provincial health subsidies  | 2,038,780         | 831,876           |
| MIG Grant  | 11,006,327        | 0                 |
| Finance Management Grant   | 262,838           | 0                 |
| Other  | 15,038,994        | 0                 |
| Total Government Grant and Subsidies   | <u>37,860,656</u> | <u>12,574,151</u> |
| <b>18.1 Equitable Share</b>  |                   |                   |
| In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R112 (2004: R101), which is funded from this grant. |                   |                   |
| <b>18.2 Provincial Health Subsidies</b>  |                   |                   |
| Balance unspent at beginning of year   | 0                 | 0                 |
| Current year receipts - included in public health vote   | 2,038,780         | 831,876           |
| Conditions met - transferred to revenue  | -2,038,780        | -831,876          |
| Conditions still to be met - transferred to liabilities (see note 7)   | <u>0</u>          | <u>0</u>          |
| <b>18.3 MIG Cooling</b>  |                   |                   |
| Balance unspent at beginning of year   | 390,294           |                   |
| Current year receipts  | 6,760,525         |                   |
| Conditions met - transferred to revenue  | -6,500,000        |                   |
| Transfer between projects  | -649,819          |                   |
| Conditions still to be met - transferred to liabilities (see note 7)   | <u>1,000</u>      | <u>0</u>          |
| <b>MIG Balance of funds</b>  |                   |                   |
| Balance unspent at beginning of year   | 1,036,220         |                   |
| Current year receipts  | 1,309,365         |                   |
| Conditions met - transferred to revenue  | -854,714          |                   |
| Transfer between projects  | -1,085,664        |                   |
| Conditions still to be met - transferred to liabilities (see note 7)   | <u>405,207</u>    | <u>0</u>          |
| <b>MIG Kirkwood / Moses Mabida</b>   |                   |                   |
| Balance unspent at beginning of year   | 285,215           |                   |
| Current year receipts  | 3,047,500         |                   |
| Conditions met - transferred to revenue  | -2,682,336        |                   |
| Transfer between projects  | -615,310          |                   |
| Conditions still to be met - transferred to liabilities (see note 7)   | <u>35,069</u>     | <u>0</u>          |
| <b>MIG Emsengeni</b>   |                   |                   |
| Balance unspent at beginning of year   | 26,970            |                   |
| Current year receipts  | 555,400           |                   |
| Conditions met - transferred to revenue  | -434,563          |                   |
| Transfer between projects  | -138,583          |                   |
| Conditions still to be met - transferred to liabilities (see note 7)   | <u>9,224</u>      | <u>0</u>          |
| <b>MIG PMU</b>   |                   |                   |
| Balance unspent at beginning of year   | 582,405           |                   |
| Current year receipts  | 3,551,548         |                   |

|  |                    |       |
|--|--------------------|-------|
| Conditions met - transferred to revenue                              | -192,640           |       |
| Transfer between projects  | -3,939,048         |       |
| Conditions still to be met - transferred to liabilities (see note 7) | 2,265              | 0     |
| <br>Total MIG Grants   | <br><u>452,765</u> | <br>0 |

#### 19 OTHER INCOME

|   |                  |   |
|---|------------------|---|
| Sale of housing   |                  |   |
| Other income  | 1,193,694        | 0 |
| Recovery of unauthorised, irregular, fruitless and wasteful expenditure (Note 35) |                  |   |
| Total Other Income  | <u>1,193,694</u> | 0 |

#### 20 EMPLOYEE RELATED COSTS

|   |                   |                   |
|---|-------------------|-------------------|
| Employee related costs - Salaries and Wages                       | 11,641,568        | 14,363,499        |
| Employee related costs - Social contributions                     | 2,165,420         |                   |
| Less: Employee costs capitalised to Property, Plant and Equipment | 0                 |                   |
| Less: Employee costs included in other expenses                   | 0                 |                   |
| Total Employee Related Costs                                      | <u>13,806,988</u> | <u>14,363,499</u> |

|                                       |                |                |
|---------------------------------------|----------------|----------------|
| Remuneration of the Municipal Manager |                |                |
| Annual Remuneration                   | 344,449        | 289,196        |
| Performance Bonuses                   | 9,417          | 84,923         |
| Allowance - Housing Subsidy           | 0              | 5,199          |
| Allowance - Telephone                 | 0              | 9,000          |
| Allowance - Transport                 | 72,054         | 50,956         |
| Allowance - Entertainment             | 0              | 2,250          |
| Social Contributions                  | 0              | 54,025         |
| Total                                 | <u>425,920</u> | <u>495,549</u> |

|   |                |                |
|---|----------------|----------------|
| Remuneration of the Chief Finance Officer |                |                |
| Annual Remuneration                       | 260,093        | 289,196        |
| Performance Bonuses                       | 39,644         | 65,075         |
| Bonus - Leave                             |                |                |
| Allowance - Housing Subsidy               | 454            | 5,448          |
| Allowance - Telephone                     |                | 12,000         |
| Allowance - Transport                     | 78,000         | 66,990         |
| Allowance - Other                         | 20,585         | 6,847          |
| Social Contributions                      | 38,644         | 53,148         |
| Total                                     | <u>437,420</u> | <u>498,704</u> |

|  |                |                |
|--|----------------|----------------|
| Remuneration of Individual Executive Directors |                |                |
| 30 June 2006                                   |                |                |
| Annual Remuneration                            | 228,826        | 241,759        |
| Performance Bonuses                            | 35,991         | 19,822         |
| Bonus - Leave                                  |                |                |
| Allowance - Housing Subsidy                    | 5,142          | 454            |
| Allowance - Telephone                          | 12,000         | 9,000          |
| Allowance - Transport                          | 54,000         | 77,293         |
| Allowance - Other                              |                | 23,907         |
| Social Contributions                           | 53,997         | 16,308         |
| Total  | <u>389,956</u> | <u>366,076</u> |

|                             |                |                |
|-----------------------------|----------------|----------------|
| 30 June 2005                |                |                |
| Annual Remuneration         | 216,897        | 209,148        |
| Performance Bonuses         | 65,275         | 62,777         |
| Bonus - Leave               |                |                |
| Allowance - Housing Subsidy | 5,448          |                |
| Allowance - Telephone       | 12,000         | 12,000         |
| Allowance - Transport       | 54,000         | 66,000         |
| Social Contributions        | 52,965         | 54,148         |
| Total                       | <u>406,585</u> | <u>404,073</u> |

## 21 REMUNERATION OF COUNCILLORS

|                                       |                |                |
|---------------------------------------|----------------|----------------|
| Executive Mayor                       | 95,840         | 95,017         |
| Councillors                           | 368,720        | 321,840        |
| Councillors' pension contribution     | 40,993         | 65,219         |
| Councillors' medical aid contribution | 113,229        | 23,280         |
| Allowances                            | 367,239        | 277,817        |
| Total Councillors' Remuneration       | <u>986,021</u> | <u>783,173</u> |

### In-kind Benefits

The Executive Mayor is full time and Councillors are part time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of a Council owned vehicle for official duties.

## 22 INTEREST PAID

|                                       |               |               |
|---------------------------------------|---------------|---------------|
| Long-term liabilities                 | 6,950         | 17,655        |
| Finance leases                        | 0             |               |
| Bank overdrafts                       | 10,726        |               |
| Total Interest on External Borrowings | <u>17,676</u> | <u>17,655</u> |

## 23 BULK PURCHASES

|                      |                  |                  |
|----------------------|------------------|------------------|
| Electricity          | 2,749,422        | 2,675,287        |
| Water                | 160,771          | 258,101          |
| Total Bulk Purchases | <u>2,910,193</u> | <u>2,933,388</u> |

## 24 GRANTS AND SUBSIDIES PAID

|                            |                  |                  |
|----------------------------|------------------|------------------|
| Total Grants and Subsidies | <u>4,635,627</u> | <u>5,529,157</u> |
|----------------------------|------------------|------------------|

The Grants & Subsidies consists of subsidies paid to indigent customers exclusively for free basic services

## 25 GENERAL EXPENSES

|   |          |          |
|---|----------|----------|
| Included in general expenses is the following:- | <u>0</u> | <u>0</u> |
|---|----------|----------|

## 26 CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GAMAP

R

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GAMAP:

### 26.1 Statutory Funds

|                                |                |
|--------------------------------|----------------|
| Balance previously reported: - |                |
| Revolving Fund                 | 219,884        |
| Total                          | <u>219,884</u> |

### Implementation of GAMAP

|   |                |
|---|----------------|
| Transferred to the Capital Replacement Reserve                | 219,884        |
| Transferred to the Capitalisation Reserve                     | 0              |
| Transferred to Accumulated Surplus/(Deficit) (see 26.8 below) | 0              |
| Total   | <u>219,884</u> |

### 26.2 Loans Redeemed and Other Capital Receipts

|  |            |
|--|------------|
| Balance previously reported                              | 39,108,750 |
| Implementation of GAMAP                                  | 0          |
| Transferred to Government Grant Reserve                  | 0          |
| Transferred to Donations and Public Contribution Reserve | 0          |

|  |                    |
|--|--------------------|
| Transferred to Accumulated Surplus/(Deficit) (see 26.8 below)                              | 39,108,750         |
| Total  | <u>39,108,750</u>  |
| <b>26.3 Provisions and Reserves</b>  |                    |
| Balance previously reported  |                    |
| Provision: Bad Debt  | 10,999,999         |
| Provision: Leave   | 1,061,511          |
| Provision: Audit Fees  | 171,929            |
| Total  | <u>12,233,439</u>  |
| Implementation of GAMAP  |                    |
| Provision: Bad Debt  | 10,999,999         |
| Provision: Leave   | 1,061,511          |
| Transferred to Accumulated Surplus/(Deficit) (see 26.8 below)                              | 171,929            |
| Total  | <u>12,233,439</u>  |
| <b>26.4 Inventory</b>  |                    |
| Balance previously reported  | 9,265              |
| Implementation of GAMAP  |                    |
| Transferred to Accumulated Surplus/(Deficit) (see 26.8 below)                              | 0                  |
| Inventory  | 9,265              |
| Total  | <u>9,265</u>       |
| <b>26.5 Non-current provisions</b>   |                    |
| Balance previously reported  | 0                  |
| Implementation of GAMAP  |                    |
| Transferred to Accumulated Surplus/(Deficit) (see 26.8 below)                              | 0                  |
| Total  | <u>0</u>           |
| <b>26.6 Property, plant and equipment</b>  |                    |
| Balance previously reported  | 102,264,440        |
| Implementation of GAMAP  |                    |
| Infrastructure previously not recorded credited to Accumulated Surplus/(Deficit) (see 26.8 |                    |
| Total  | <u>102,264,440</u> |
| <b>26.7 Accumulated Depreciation</b>   |                    |
| Balance previously reported  |                    |
| Implementation of GAMAP  |                    |
| Backlog depreciation: Land and buildings   | 9,209,708          |
| Backlog depreciation: Infrastructure   | 9,300              |
| Backlog depreciation: Community  | 0                  |
| Backlog depreciation: Other  | 176,599            |
| Total (debited to Accumulated Surplus/(Deficit)) (see 26.8 below)                          | <u>9,395,607</u>   |
| <b>26.8 Accumulated Surplus/(Deficit)</b>  |                    |
| Implementation of GAMAP  |                    |
| Adjustments to inventory (see 26.4 above)  | 0                  |
| Excessive provisions and reserves no longer permitted (see 26.3 above)                     | 171,929            |
| Non-current provisions previously not recognised (see 26.5<br>above)                       | 0                  |
| Transferred from statutory funds (see 26.1 above)  | 0                  |
| Transferred from Loans Redeemed and Other Capital Receipts (see 26.2 above)                | 39,108,750         |
| Fair value of Property, Plant and Equipment previously not recorded (see 26.6 above)       |                    |
| Backlog depreciation (see 26.7 above)  | <u>9,395,607</u>   |
| Total  | <u>48,676,286</u>  |

## 27 CASH GENERATED BY OPERATIONS

|   |            |            |
|---|------------|------------|
| Net surplus for the year                          | 9,953,281  | -1,334,791 |
| Adjustment for:-                                  |            |            |
| Depreciation                                      | 11,380     | 0          |
| Gain on disposal of property, plant and equipment | 0          | 0          |
| Contribution to provisions - non-current          | -172,896   |            |
| Contribution to provisions - current              | 0          | 0          |
| Interest paid                                     | 17,676     | 17,655     |
| Investment income                                 | 206,188    | 537,213    |
| Adjustments in respect of Appropriation & Other   | -6,998,399 | -5,062,989 |

|  |                  |                   |
|--|------------------|-------------------|
| Operating surplus before working capital changes:      | <b>3,017,230</b> | -5,842,912        |
| (Increase)/Decrease in inventories                     | 9,265            | -1,066            |
| (Increase)/decrease in debtors                         | 3,718,898        | 802,437           |
| (Increase)/decrease in other debtors                   | -172,087         | 0                 |
| (Decrease)/increase in conditional grants and receipts | -3,113,960       | 0                 |
| (Decrease)/Increase in creditors                       | 1,090,019        | 2,382,191         |
| (Decrease) / Increase in VAT                           | -3,906           | 0                 |
| Cash generated by/(utilised in) operations             | <b>4,545,459</b> | <b>-2,659,350</b> |

## 28 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :

|                                 |                   |                   |
|---------------------------------|-------------------|-------------------|
| Bank balances and cash          | 71,350            | 205,915           |
| Bank overdrafts                 | -1,507,093        | -2,575,642        |
| Call investment deposits        | 0                 | 0                 |
| Total cash and cash equivalents | <b>-1,435,743</b> | <b>-2,369,727</b> |

## 29 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

|   |        |        |
|---|--------|--------|
| Long-term liabilities (see Note 1)                        | 33,687 | 47,787 |
| Used to finance property, plant and equipment - at cost   | 33,687 | 47,787 |
| Sub-total   | 0      | 0      |
| Cash set aside for the repayment of long-term liabilities | 0      | 0      |
| Cash invested for repayment of long-term liabilities      | 0      | 0      |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2006

| 2006 | 2005 |
|------|------|
| R    | R    |

**30 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance

Unauthorised expenditure current year

Approved by Council or condoned

Transfer to receivables for recovery (note 22)

Unauthorised expenditure awaiting authorisation

Incident

Unbudgeted expenditure

Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance

Fruitless and wasteful expenditure current year

Condoned or written off by Council

To be recovered - contingent asset (see note 40)

Fruitless and wasteful expenditure awaiting condonement

**31 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**31.1 Contributions to organized local government**

Opening balance

Council subscriptions

Amount paid - current year

Amount paid - previous years

Balance unpaid (included in creditors)

**31.2 Audit fees**

Opening balance

0

Current year audit fee

386,011

243,239

Amount paid - current year

Amount paid - previous years

Balance unpaid (included in creditors)

386,011

243,239

**32.3 VAT**

VAT inputs receivables and VAT outputs receivables are shown in note

8. All VAT returns have been submitted by the due date throughout the year.

**32.4 PAYE and UIF**

Opening balance

0

Current year payroll deductions

0

Amount paid - current year

0

Amount paid - previous years

Balance unpaid (included in creditors)

The balance represents PAYE and UIF deducted from the June 2005

payroll. These amounts were paid during July 2005.

**32.5 Pension and Medical Aid Deductions**

|   |   |
|---|---|
| Opening balance   | 0 |
| Current year payroll deductions and Council Contributions | 0 |
| Amount paid - current year                                | 0 |
| Amount paid - previous years                              |   |
| Balance unpaid (included in creditors)                    |   |

The balance represents pension and medical aid contributions deducted

from employees in the June 2005 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2005.

### 32.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at:-

| 30th June 2006                                   | Total        | Outstanding less than 90 days | Outstanding more than 90 days |
|--|--------------|-------------------------------|-------------------------------|
| Jonas D.C.                                       | 1099         | 191                           | 908                           |
| Tambo M.V.                                       | 3611         | 273                           | 3,338                         |
| Dancey A.  | 978          | 452                           | 526                           |
| Gumbe Z.D.                                       | 1417         | 197                           | 1,220                         |
| Frost P.J.                                       | 725          | 463                           | 262                           |
| Adams F.   | 1675         | 73                            | 1,602                         |
| Lose Z.A.  | 1974         | 256                           | 1,718                         |
| <b>Total Councillor Arrear Consumer Accounts</b> | <b>11479</b> | <b>1905</b>                   | <b>9574</b>                   |

| 30th June 2005                                   | Total    | Outstanding less than 90 days | Outstanding more than 90 days |
|--|----------|-------------------------------|-------------------------------|
| 0  | 0        | 0                             | 0                             |
| 0  | 0        | 0                             | 0                             |
| 0  | 0        | 0                             | 0                             |
| 0  | 0        | 0                             | 0                             |
| 0  | 0        | 0                             | 0                             |
| <b>Total Councillor Arrear Consumer Accounts</b> | <b>0</b> | <b>0</b>                      | <b>0</b>                      |

During the year the following Councillors' had arrear accounts outstanding for more than 90 days

| 30th June 2006 | Highest Amount Outstanding | Ageing    |
|----------------|----------------------------|-----------|
| Tambo M.V.     | 3,338                      | 90 Days + |
| Lose Z.A.      | 1,718                      | 90 Days + |
| Adams F.       | 1,602                      | 90 Days + |

### 30th June 2005

### 32.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

The Municipality has not developed a supply chain management policy due to (reason)

### 33 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and contracted for

Infrastructure

Community

Heritage

Other

Housing Development Fund

Investment Properties

- Approved but not yet contracted for  
Infrastructure  
Community  
Heritage  
Other  
Housing Development Fund  
Investment Properties

**Total**

This expenditure will be financed from:

- External Loans
- Capital Replacement Reserve
- Government Grants
- Own resources
- District Council Grants

**34 RETIREMENT BENEFIT INFORMATION**

All Councillors and employees belong to 5 defined benefit retirement funds.

**35 CONTINGENT LIABILITY**

None

**APPENDIX A**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 June 2006**

| <b>EXTERNAL LOANS</b>         | <b>Loan<br/>Number</b> | <b>Redeemable</b> | <b>Balance at<br/>30 June 2005</b> | <b>Received<br/>during the<br/>period</b> | <b>Redeemed<br/>written off<br/>during the<br/>period</b> | <b>Balance at<br/>30 June 2006</b> | <b>Carrying<br/>Value of<br/>Property,<br/>Plant &amp; Equip</b> | <b>Other Costs<br/>in accordance<br/>with the<br/>MFMA</b> |
|-------------------------------|------------------------|-------------------|------------------------------------|---|---|------------------------------------|--|--|
| <b>LONG-TERM LOANS</b>        |                        | R                 | R                                  | R   | R   | R                                  | R  | R  |
| <b>Total long-term loans</b>  |                        | 0                 | 0                                  | 0   | 0   | 0                                  | 0  | 0  |
| <b>ANNUITY LOAN</b>           |                        |                   |                                    |   |   |                                    |  |  |
| DBSA - Swimming Pool          |                        | 36,407            | 0                                  | -2,720                                    | 33,687  | 264,350                            | 0  | 0  |
| DBSA - Water Scheme           |                        | 11,380            | 0                                  | -11,380                                   | 0   | 264,350                            | 0  | 0  |
| <b>Total Annuity Loans</b>    |                        | <b>47,787</b>     | <b>0</b>                           | <b>-14,100</b>                            | <b>33,687</b>   | <b>264,350</b>                     | <b>0</b>   | <b>0</b>   |
| <b>GOVERNMENT LOANS</b>       |                        |                   |                                    |   |   |                                    |  |  |
| <b>Total Government Loans</b> |                        | <b>0</b>          | <b>0</b>                           | <b>0</b>                                  | <b>0</b>  | <b>0</b>                           | <b>0</b>   | <b>0</b>   |
| <b>TOTAL EXTERNAL LOANS</b>   |                        | <b>47,787</b>     | <b>0</b>                           | <b>-14,100</b>                            | <b>33,687</b>   | <b>264,350</b>                     | <b>0</b>   | <b>0</b>   |

**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 June 2006**

|                             | Cost/Revaluation   |                |                    |           | Accumulated Depreciation |                    |                   | Carrying Value    |
|-----------------------------|--------------------|----------------|--------------------|-----------|--------------------------|--------------------|-------------------|-------------------|
|                             | Opening Balance    | Additions      | Under Construction | Disposals | Opening Balance          | Additions          | Disposals         |                   |
| <b>Land and Buildings</b>   |                    |                |                    |           |                          |                    |                   |                   |
| Land                        | 3,739,189          | 0              |                    | 0         | 3,739,189                | 0                  | 0                 | 3,739,189         |
| Buildings                   | 56,275,676         | 62,481         |                    | 0         | 56,338,157               | -9,209,708         | -683,130          | 48,445,319        |
|                             | <b>60,014,865</b>  | <b>62,481</b>  |                    | <b>0</b>  | <b>60,077,346</b>        | <b>-9,209,708</b>  | <b>-683,130</b>   | <b>50,164,506</b> |
| <b>Infrastructure</b>       |                    |                |                    |           |                          |                    |                   |                   |
| Drains                      |                    |                |                    |           | 0                        |                    | 0                 | 0                 |
| Roads                       |                    |                |                    |           | 0                        |                    | 0                 | 0                 |
| Beach Improvements          |                    |                |                    |           | 0                        |                    | 0                 | 0                 |
| Sewerage Mains & Purif      |                    |                |                    |           | 5,374,535                | -3,000             | -27,478           | 5,344,057         |
| Electricity Mains           | 10,152,408         | 0              | 5,374,535          | 0         | 10,586,971               | 0                  | 0                 | 10,586,971        |
| Electricity Substations     | 3,458,207          | 0              | 434,563            | 0         | 3,458,207                | -6,300             | -450              | 3,451,457         |
| Electricity Meters          | 0                  | 13,843         |                    | 0         | 13,843                   | 0                  | 0                 | 13,843            |
| Electricity Peak Load Equip |                    |                |                    |           | 0                        |                    | 0                 | 0                 |
| Water Mains & Purification  | 21,215,000         | 0              | 1,239,502          | 0         | 22,454,502               | 0                  | 0                 | 22,454,502        |
| Reservoirs - Water          |                    |                | 1,202,618          | 0         | 1,202,618                | 0                  | 0                 | 1,202,618         |
| Water Meters                |                    |                |                    |           | 0                        |                    | 0                 | 0                 |
| Water Mains                 |                    |                |                    |           | 0                        |                    | 0                 | 0                 |
|                             | <b>34,825,615</b>  | <b>13,843</b>  | <b>8,251,218</b>   | <b>0</b>  | <b>43,090,676</b>        | <b>-9,300</b>      | <b>-27,928</b>    | <b>43,063,448</b> |
| <b>Community Assets</b>     |                    |                |                    |           |                          |                    |                   |                   |
| Parks & Gardens             |                    |                |                    |           | 0                        |                    | 0                 | 0                 |
| Libraries                   |                    |                |                    |           | 0                        |                    | 0                 | 0                 |
| Recreation Grounds          |                    |                |                    |           | 0                        |                    | 0                 | 0                 |
| Civic Buildings             |                    |                |                    |           | 0                        |                    | 0                 | 0                 |
|                             | <b>0</b>           | <b>0</b>       | <b>0</b>           | <b>0</b>  | <b>0</b>                 | <b>0</b>           | <b>0</b>          | <b>0</b>          |
| <b>Heritage Assets</b>      |                    |                |                    |           |                          |                    |                   |                   |
| Historical Buildings        |                    |                |                    |           | 0                        |                    | 0                 | 0                 |
| Painting & Art Galleries    |                    |                |                    |           | 0                        |                    | 0                 | 0                 |
|                             | <b>0</b>           | <b>0</b>       | <b>0</b>           | <b>0</b>  | <b>0</b>                 | <b>0</b>           | <b>0</b>          | <b>0</b>          |
| <b>Housing Rental Stock</b> |                    |                |                    |           |                          |                    |                   |                   |
| Housing Rental 1            |                    |                |                    |           | 0                        |                    | 0                 | 0                 |
| Housing Rental 2            |                    |                |                    |           | 0                        |                    | 0                 | 0                 |
|                             | <b>0</b>           | <b>0</b>       | <b>0</b>           | <b>0</b>  | <b>0</b>                 | <b>0</b>           | <b>0</b>          | <b>0</b>          |
| <b>Leased Assets</b>        |                    |                |                    |           |                          |                    |                   |                   |
| (Infrastructure)            |                    |                |                    |           | 0                        |                    | 0                 | 0                 |
| Sewerage Mains & Purify     |                    |                |                    |           | 0                        |                    | 0                 | 0                 |
|                             | <b>0</b>           | <b>0</b>       | <b>0</b>           | <b>0</b>  | <b>0</b>                 | <b>0</b>           | <b>0</b>          | <b>0</b>          |
| <b>Other Assets</b>         |                    |                |                    |           |                          |                    |                   |                   |
| Landfill sites              |                    |                |                    |           | 0                        |                    | 0                 | 0                 |
| Office Equipment            | 0                  | 49,133         |                    | 0         | 49,133                   | -421,994           | -56,552           | 129,413           |
| Furniture & Fittings        | 6,049,796          | 113,063        |                    | 0         | 6,162,859                | -5,973,621         | -87,423           | 101,815           |
| Bins and Containers         |                    |                |                    |           | 0                        |                    | 0                 | 0                 |
| Emergency Equipment         |                    |                |                    |           | 0                        |                    | 0                 | 0                 |
| Motor vehicles              | 1,374,162          | 19,329         |                    | 0         | 1,393,491                | -54,272            | -75,162           | 129,357           |
| Fire engines                |                    |                |                    |           | 0                        |                    | 0                 | 0                 |
| Refuse tankers              | 0                  | 397,627        |                    | 0         | 397,627                  | -36,766            | -102,058          | 258,803           |
| Computer equipment          | 0                  | 0              |                    | 0         | 0                        | -22,844            | -46,573           | 159,417           |
| Tools                       |                    |                |                    |           | 0                        |                    | 0                 | 0                 |
| Conservancy tankers         | 0                  | 15,089         |                    | 0         | 15,089                   | -9,127             | -10,316           | 19,443            |
| Other                       |                    |                |                    |           | 0                        |                    | 0                 | -4,354            |
|                             | <b>7,423,958</b>   | <b>594,241</b> |                    | <b>0</b>  | <b>8,018,199</b>         | <b>-6,518,624</b>  | <b>-378,084</b>   | <b>1,121,491</b>  |
| <b>Total</b>                | <b>102,264,438</b> | <b>670,585</b> | <b>8,251,218</b>   | <b>0</b>  | <b>111,186,221</b>       | <b>-15,737,832</b> | <b>-1,089,142</b> | <b>94,359,447</b> |

**APPENDIX C**  
**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT 30 June 2006**

|                             | Cost               |                |                    |           |                    | Accumulated Depreciation |                   |           |                    | Carrying Value    |
|-----------------------------|--------------------|----------------|--------------------|-----------|--------------------|--------------------------|-------------------|-----------|--------------------|-------------------|
|                             | Opening Balance    | Additions      | Under Construction | Disposals | Closing Balance    | Opening Balance          | Additions         | Disposals | Closing Balance    |                   |
| Executive & Council         | 498,730            | 29,206         |                    | 0         | 527,936            | -4,062,333               | -308,924          | 0         | -4,371,257         | -3,843,321        |
| Finance & Admin             | 13,576,592         | 409,063        |                    | 0         | 13,985,655         | -1,083,371               | -120,044          | 0         | -1,203,415         | 12,782,240        |
| Planning & Development      | 6,031,092          | 24,235         |                    | 0         | 6,055,327          | -2,048,627               | -90,576           | 0         | -2,139,203         | 3,916,124         |
| Health                      | 1,350,699          | 10,932         |                    | 0         | 1,361,631          | -153,245                 | -15,135           | 0         | -168,380           | 1,193,251         |
| Community & Social Services | 3,012,535          | 59,382         |                    | 0         | 3,071,917          | -613,314                 | -29,706           | 0         | -643,020           | 2,428,897         |
| Public Safety               | 1,002,201          | 2,374          |                    | 0         | 1,004,575          | -733,943                 | -69,325           | 0         | -803,268           | 201,307           |
| Sport & Recreation          | 7,606,263          | 46,415         |                    | 0         | 7,652,678          | -1,294,481               | -35,347           | 0         | -1,329,828         | 6,322,850         |
| Environmental Protection    |                    |                |                    |           | 0                  |                          |                   |           | 0                  | 0                 |
| Road Transport              | 40,159             | 26,619         |                    | 0         | 66,778             | -5,537                   | -17,982           | 0         | -23,519            | 43,259            |
| Housing                     | 13,357,696         | 0              |                    | 0         | 13,357,696         | -4,763,384               | -343,084          | 0         | -5,106,468         | 8,251,228         |
| Waste Management            | 20,900,207         | 0              |                    | 0         | 20,900,207         | -796,483                 | -161              | 0         | -796,644           | 20,103,563        |
| Waste Water Management      | 0                  | 33,407         | 5,374,535          | 0         | 5,407,942          | -102,613                 | -47,841           | 0         | -150,454           | 5,257,488         |
| Electricity                 | 13,610,615         | 13,843         | 434,563            | 0         | 14,059,021         | -6,300                   | -450              | 0         | -6,750             | 14,052,271        |
| Water                       | 21,277,649         | 15,089         | 2,442,120          | 0         | 23,734,858         | -70,936                  | -13,632           | 0         | -84,568            | 23,650,290        |
| Other                       |                    |                |                    |           | 0                  |                          |                   |           | 0                  | 0                 |
| <b>TOTAL</b>                | <b>102,264,438</b> | <b>670,565</b> | <b>8,251,218</b>   | <b>0</b>  | <b>111,186,221</b> | <b>-15,734,567</b>       | <b>-1,092,207</b> | <b>0</b>  | <b>-16,826,774</b> | <b>94,359,447</b> |

**APPENDIX D**

**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 June 2006**

| <b>2005<br/>Actual<br/>Income<br/>R</b> | <b>2005<br/>Actual<br/>Expenditure<br/>R</b> | <b>2005<br/>Surplus/<br/>(Deficit)<br/>R</b> |                               | <b>2006<br/>Actual<br/>Income<br/>R</b> | <b>2006<br/>Actual<br/>Expenditure<br/>R</b> | <b>2006<br/>Surplus/<br/>(Deficit)<br/>R</b> |
|---|--|--|-------------------------------|---|--|--|
| 8,756                                   | 3,253,029                                    | -3,244,273                                   | Executive & Council           | 0                                       | 2,694,224                                    | -2,694,224                                   |
| 15,597,826                              | 7,485,632                                    | 8,112,194                                    | Finance & Admin               | 14,840,756                              | 6,530,681                                    | 8,310,075                                    |
| 32,549                                  | 1,695,057                                    | -1,662,508                                   | Planning & Development        | 7,041,379                               | 8,567,195                                    | -1,525,816                                   |
| 831,876                                 | 1,436,752                                    | -604,876                                     | Health                        | 2,038,780                               | 1,642,718                                    | 396,062                                      |
| 66,873                                  | 1,619,951                                    | -1,553,078                                   | Community & Social Services   | 51,375                                  | 1,203,376                                    | -1,152,001                                   |
| 806,166                                 | 3,765,314                                    | -2,959,148                                   | Public Safety                 | 815,599                                 | 1,412,936                                    | -597,337                                     |
| 13,263                                  | 736,650                                      | -723,387                                     | Sport & Recreation            | 6,152                                   | 517,653                                      | -511,501                                     |
|   |  | 0  | Environmental Protection      | 0                                       | 0  | 0  |
| 2,646,976                               | 1,651,383                                    | 995,593                                      | Road Transport                | 3,078,101                               | 3,551,710                                    | -473,609                                     |
| 112,323                                 | 242,335                                      | -130,012                                     | Housing                       | 11,288,650                              | 11,683,677                                   | -395,027                                     |
| 1,773,336                               | 3,208,915                                    | -1,435,579                                   | Waste Management              | 2,705,344                               | 3,268,579                                    | -563,235                                     |
| 1,031,879                               | 2,472,736                                    | -1,440,857                                   | Waste Water Management        | 6,505,865                               | 1,979,000                                    | 4,526,865                                    |
| 4,295,346                               | 3,229,177                                    | 1,066,169                                    | Electricity                   | 4,903,877                               | 3,762,405                                    | 1,141,472                                    |
| 6,870,424                               | 4,625,453                                    | 2,244,971                                    | Water                         | 7,666,862                               | 4,407,528                                    | 3,259,334                                    |
|   |  | 0  | Other                         | 0                                       | 0  | 0  |
| <b>34,087,593</b>                       | <b>35,422,384</b>                            | <b>-1,334,791</b>                            | <b>Sub Total</b>              | <b>60,942,740</b>                       | <b>51,221,682</b>                            | <b>9,721,058</b>                             |
| <b>0</b>                                | <b>0</b>                                     | <b>0</b>                                     | <b>Less Inter-Dep Charges</b> | <b>0</b>                                | <b>0</b>                                     | <b>0</b>                                     |
| <b>34,087,593</b>                       | <b>35,422,384</b>                            | <b>-1,334,791</b>                            | <b>Total</b>                  | <b>60,942,740</b>                       | <b>51,221,682</b>                            | <b>9,721,058</b>                             |

**APPENDIX E(1)**  
**ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 June 2006**

| <b>REVENUE</b>  | <b>2006<br/>Actual (R)</b> | <b>2006<br/>Budget (R)</b> | <b>2006<br/>Variance (R)</b> | <b>2006<br/>Variance<br/>(%)</b> | <b>Explanation of Significant<br/>Variances<br/>greater than 10% versus Budget</b> |
|---|----------------------------|----------------------------|------------------------------|----------------------------------|--|
| Property rates  | -3,573,631                 | -4,813,903                 | 1,040,272                    | -23                              | over budgeted  |
| Property rates - penalties imposed and collection charges | -9,918                     | -7,120                     | -2,798                       | 39                               | Increase in non-payments and under budgeted  |
| Service charges   | -12,471,400                | -10,769,549                | -1,701,851                   | 16                               | under budgeted, increase in service delivery                                       |
| Regional Services Levies - turnover                       |                            |                            | 0                            |                                  |  |
| Regional Services Levies - remuneration                   |                            |                            | 0                            |                                  |  |
| Rental of facilities and equipment                        | -47,464                    | -63,940                    | 16,476                       | -26                              | over budgeted  |
| Interest earned - external investments                    | -206,188                   | -41,000                    | -165,188                     | 403                              | Increase inflow of funds for investment  |
| Interest earned - outstanding debtors                     | -1,913,905                 | -124,030                   | -1,789,875                   | 1,443                            | under budgeted   |
| Dividends received  |                            |                            | 0                            |                                  |  |
| Fines   | -821,121                   | -711,000                   | -110,121                     | 15                               | Increase in service delivery and improved collections                              |
| Licences and permits                                      | -3,076,982                 | -748,300                   | -2,328,682                   | 311                              | Increase services, under budgeted  |
| Income from agency services                               |                            |                            | 0                            |                                  |  |
| Grants & subsidies received - Operating                   | -26,854,329                | -12,643,050                | -14,211,279                  | 112                              | Increase inflow of funds from investments  |
| Grants & subsidies received - Capital                     | -11,006,327                | -6,824,000                 | -4,182,327                   | 61                               | Increase inflow of funds from investments  |
| Other income  | -1,193,694                 | -1,944,533                 | 750,839                      | -39                              | under budgeted   |
| Public contributions, donated/contributed PPE             |                            |                            | 0                            |                                  |  |
| Gains on disposal of property, plant and equipment        |                            |                            | 0                            |                                  |  |
| <b>Total Revenue</b>                                      | <b>-81,174,959</b>         | <b>-38,490,425</b>         | <b>-22,684,534</b>           | <b>59</b>                        |  |
| <b>EXPENDITURE</b>  |                            |                            |                              |                                  |  |
| Employee Cost - Wages & Salaries                          | 11,641,568                 | 11,753,347                 | -111,779                     | -1                               |  |
| Employee Cost - Social Contributions                      | 2,165,420                  | 1,887,879                  | 277,741                      | 15                               | employee benefit awareness increase  |
| Employee related costs                                    | 13,806,988                 | 13,641,026                 | 165,962                      | 1                                |  |
| Remuneration of Councillors                               | 986,020                    | 1,076,948                  | -90,928                      | -8                               |  |
| Bad debts   |                            |                            | 0                            |                                  |  |
| Collection costs  |                            |                            | 0                            |                                  |  |
| Depreciation  | 11,380                     | 0                          | 11,380                       |                                  |  |
| Repairs and maintenance                                   | 1,564,539                  | 2,949,758                  | -1,385,219                   | -47                              | savings on voluntary budget provisions   |
| Interest on external borrowings                           | 6,950                      | 12,320                     | -5,370                       | -44                              | over budgeted  |
| Bulk purchases  | 2,910,193                  | 3,029,890                  | -119,697                     | -4                               |  |
| Contracted services                                       | 254,314                    | 371,400                    | -117,086                     | -32                              | over budgeted  |
| Grants and subsidies paid                                 | 4,635,627                  | 5,245,575                  | -609,948                     | -12                              | over budgeted  |
| General expenses - other                                  | 27,046,038                 | 8,308,174                  | 18,737,864                   | 226                              | Increase service delivery and under budgeted                                       |
| Contributions To/From Provisions                          | -371                       | 1,295,668                  | -1,296,039                   | -100                             | under budgeted   |
| Interest on internal borrowings                           | 0                          | 18,626                     | -18,626                      | -100                             |  |
| Loss on disposal of property, plant and equipment         |                            |                            | 0                            |                                  |  |
| <b>Total Expenditure</b>                                  | <b>51,221,678</b>          | <b>35,949,385</b>          | <b>15,272,293</b>            | <b>42</b>                        |  |
| <b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>                 | <b>-9,963,281</b>          | <b>-2,541,040</b>          |                              | <b>292</b>                       |  |

**APPENDIX E(2)**  
**ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 June 2006**

|                                | 2006           | 2006                      | 2006                   | 2006             | 2006             | 2006              | <b>Explanation of Significant Variances greater than 5% versus Budget</b> |
|--------------------------------|----------------|---------------------------|------------------------|------------------|------------------|-------------------|---|
|                                | <b>Actual</b>  | <b>Under Construction</b> | <b>Total Additions</b> | <b>Budget</b>    | <b>Variance</b>  | <b>Variance %</b> |   |
|                                | R              | R                         | R                      | R                | R                | %                 |   |
| Land and Buildings             |                |                           |                        |                  |                  |                   |   |
| Land                           | 0              |                           | 0                      |                  | 0                |                   |   |
| Buildings                      | 62,481         |                           | 62,481                 | 347,700          | -285,219         | -82               | cash flow management  |
| Infrastructure                 |                |                           |                        |                  |                  |                   |   |
| Drains                         |                |                           | 0                      |                  | 0                |                   |   |
| Roads                          |                |                           | 0                      |                  | 0                |                   |   |
| Beach Improvements             |                |                           | 0                      |                  | 0                |                   |   |
| Sewerage Mains & Purif         |                | 5,374,535                 | 5,374,535              |                  |                  |                   |   |
| Electricity Mains              | 0              | 434,563                   | 434,563                | 2,400            | 432,163          | 18,007            |   |
| Electricity Substations        | 0              |                           | 0                      |                  | 0                |                   |   |
| Electricity Meters             | 13,843         |                           | 13,843                 | 1,000,000        | -986,157         | -99               | cash flow management  |
| Electricity Peak Load Equip    |                |                           | 0                      |                  | 0                |                   |   |
| Water Mains & Purification     | 0              | 1,239,502                 | 1,239,502              |                  | 1,239,502        |                   |   |
| Reservoirs - Water             |                | 1,202,618                 | 1,202,618              | 46,000           | 1,156,618        | 2,514             |   |
| Water Meters                   |                |                           | 0                      |                  | 0                |                   |   |
| Water Mains                    |                |                           | 0                      |                  | 0                |                   |   |
|                                | 13,843         | 8,251,218                 | 8,265,061              | 1,048,400        | 7,216,661        | 688               | government grants   |
| Community Assets               |                |                           |                        |                  |                  |                   |   |
| Parks & Gardens                |                |                           | 0                      |                  | 0                |                   |   |
| Libraries                      |                |                           | 0                      |                  | 0                |                   |   |
| Recreation Grounds             |                |                           | 0                      |                  | 0                |                   |   |
| Civic Buildings                |                |                           | 0                      |                  | 0                |                   |   |
| Heritage Assets                | 0              | 0                         | 0                      | 0                | 0                |                   |   |
| Historical Buildings           |                |                           | 0                      |                  | 0                |                   |   |
| Painting & Art Galleries       |                |                           | 0                      |                  | 0                |                   |   |
| Housing Rental Stock           | 0              | 0                         | 0                      | 0                | 0                |                   |   |
| Housing Rental 1               |                |                           | 0                      |                  | 0                |                   |   |
| Housing Rental 2               | 0              | 0                         | 0                      | 0                | 0                |                   |   |
| Leased Assets (Infrastructure) | 0              | 0                         | 0                      | 0                | 0                |                   |   |
| Sewerage Mains & Purify        | 0              | 0                         | 0                      | 0                | 0                |                   |   |
| Other Assets                   |                |                           |                        |                  |                  |                   |   |
| Landfill sites                 |                | 0                         | 0                      | 0                | 0                |                   |   |
| Office Equipment               | 49,133         |                           | 49,133                 | 51,131           | -1,998           | -4                |   |
| Furniture & Fittings           | 113,063        |                           | 113,063                | 242,569          | -129,506         | -53               | cash flow management  |
| Bins and Containers            |                |                           | 0                      |                  | 0                |                   |   |
| Emergency Equipment            |                |                           | 0                      |                  | 0                |                   |   |
| Motor vehicles                 | 19,329         |                           | 19,329                 | 492,500          | -473,171         | -96               | cash flow management  |
| Fire engines                   |                |                           | 0                      |                  | 0                |                   |   |
| Refuse tankers                 |                |                           | 0                      |                  | 0                |                   |   |
| Computer equipment             | 397,627        |                           | 397,627                | 39,350           | 358,277          | 910               | under budgeted  |
| Tools                          | 0              |                           | 0                      |                  | 0                |                   |   |
| Conservancy tankers            |                |                           | 0                      |                  | 0                |                   |   |
| Other                          | 15,089         |                           | 15,089                 | 213,600          | -198,511         | -93               | cash flow management  |
|                                | 594,241        | 0                         | 594,241                | 1,039,150        | -444,909         | -43               | cash flow management  |
| <b>Total</b>                   | <b>670,565</b> | <b>8,251,218</b>          | <b>8,821,783</b>       | <b>2,435,250</b> | <b>6,486,533</b> | <b>268</b>        |   |

**APPENDIX F**

**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

**Grant and Subsidies Received**

| Name of Grants                            | Name of organ of state or municipal entity                    | Quarterly Receipts |           |           |           |         | Quarterly Expenditure |           |           |           |           | Grants and Subsidies delayed / withheld |         |        |        |        | Reason for delay/withholding of funds<br>Yes / No | Did your municipality comply with the grant conditions in<br>Yes / No | Reason for non-compliance |
|---|---|--------------------|-----------|-----------|-----------|---------|-----------------------|-----------|-----------|-----------|-----------|---|---------|--------|--------|--------|---|---|---------------------------|
|   |   | March              | June      | Sept      | Dec       | March   | March                 | June      | Sept      | Dec       | March     | March                                   | June    | Sept   | Dec    | March  |   |   |                           |
|   |   | 3,452,775          | 3,043,324 | 2,721,526 | 1,023,982 | 338,266 | 676,532               | 3,452,775 | 3,043,324 | 2,721,526 | 1,023,982 | 338,266                                 | 676,532 | 84,000 | 84,000 | 84,000 |   |   |                           |
| MIG<br>HEALTH<br>FINANCE MANAGEMENT GRANT | NATIONAL TREASURY<br>PROVINCIAL TREASURY<br>NATIONAL TREASURY |                    |           |           |           |         |                       |           |           |           |           |   |         |        |        |        | YES<br>YES<br>YES                                 |   |                           |
|   |   | 4,726,757          | 3,381,590 | 3,398,058 |           |         |                       |           |           |           |           |   |         |        |        |        |   |   |                           |

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.